

AMENDED IN SENATE MARCH 26, 2003

SENATE BILL

No. 798

Introduced by Senator Cedillo

February 21, 2003

An act to amend Section 1351.2 of the Health and Safety Code, relating to health care service plans.

LEGISLATIVE COUNSEL'S DIGEST

SB 798, as amended, Cedillo. Mexican health plans.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the regulation of health care service plans by the Director of the Department of Managed Health Care. Existing law requires a health care service plan licensed under the laws of Mexico that elects to operate a health care service plan in this state to apply for licensure and comply with the act and applicable rules adopted by the director. *A willful violation of the provisions governing health care service plans is a crime.*

~~This bill would require the director to develop a procedure to keep the department informed regarding the status of a health care service plan licensed under the laws of Mexico. The bill would require, if the plan ceases to operate lawfully in Mexico, the department to revoke the license of a Mexican health care service plan and to take all authorized and necessary actions to protect the health care coverage of enrollees.~~ *notify immediately a plan that has ceased to be licensed in Mexico that the plan is required to be relicensed in Mexico or licensed in California within a specified time period. The bill would require the director to issue an order requiring the plan to cease operations in California if the plan is not relicensed or licensed. Because the bill would place additional requirements on a health care service plan, the willful*

violation of which would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: ~~no~~ yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1351.2 of the Health and Safety Code
2 is amended to read:

3 1351.2. (a) If a health care service plan licensed under the
4 laws of Mexico elects to operate a health care service plan in this
5 state, the plan shall apply for licensure as a health care service plan
6 under this chapter by filing an application for licensure in the form
7 prescribed by the department and verified by an authorized
8 representative of the applicant. The plan shall be subject to the
9 provisions of this chapter, and the rules adopted by the director
10 thereunder, as determined by the director to be applicable. The
11 application shall be accompanied by the fee prescribed by
12 subdivision (a) of Section 1356 and shall demonstrate compliance
13 with the following requirements:

14 (1) The plan is operating lawfully under the laws of Mexico.
15 ~~The director shall develop a procedure by which the department~~
16 ~~is kept informed as to the status of the plan's operation in Mexico.~~
17 ~~If the plan ceases to operate lawfully in Mexico, the plan's license~~
18 ~~under this chapter shall be revoked and the department shall take~~
19 ~~all authorized action under this chapter to protect the health care~~
20 ~~coverage of the plan's enrollees.~~

21 (2) The plan offers and sells in this state only
22 employer-sponsored group plan contracts exclusively for the
23 benefit of citizens of Mexico legally employed in this state, and for
24 the benefit of their dependents regardless of nationality, that pay
25 for, reimburse the cost of, or arrange for the provision or delivery
26 of health care services that are to be provided or delivered wholly



1 in Mexico, except for the provision or delivery of those health care
2 services set forth in subparagraphs (A) and (B) of paragraph (4).

3 (3) Solicitation of plan contracts in this state is made only
4 through insurance brokers and agents licensed in this state or a
5 third-party administrator licensed in this state, each of which is
6 authorized by the plan to offer and sell plan group contracts.

7 (4) Group contracts provide, through a contract of insurance
8 between the plan and an insurer admitted in this state, for the
9 reimbursement of emergency and urgent care services provided
10 out of area as required by subdivision (h) of Section 1345.

11 (5) All advertising, solicitation material, disclosure statements,
12 evidences of coverage, and contracts are in compliance with the
13 appropriate provisions of this chapter and the rules or orders of the
14 director. The director shall require that each of these documents
15 contain a legend in 10-point type, in both English and Spanish,
16 declaring that the health care service plan contract provided by the
17 plan may be limited as to benefits, rights, and remedies under state
18 and federal law.

19 (6) All funds received by the plan from a subscriber are
20 deposited in an account of a bank organized under the laws of this
21 state or in an account of a national bank located in this state.

22 (7) The plan maintains a tangible net equity as required by this
23 chapter and the rules of the director, as calculated under United
24 States generally accepted accounting principles, in the amount of
25 a least one million dollars (\$1,000,000). In lieu of an amount in
26 excess of the minimum tangible net equity of one million dollars
27 (\$1,000,000), the plan may demonstrate a reasonable acceptable
28 alternative reimbursement arrangement that the director may in his
29 or her discretion accept. The plan shall also maintain a fidelity
30 bond and a surety bond as required by Section 1376 and the rules
31 of the director.

32 (8) The plan agrees to make all of its books and records,
33 including the books and records of health care providers in
34 Mexico, available to the director in the form and at the time and
35 place requested by the director. Books and records shall be made
36 available to the director no later than 24 hours from the date of the
37 request.

38 (9) The plan files a consent to service of process with the
39 director and agrees to be subject to the laws of this state and the
40 United States in any investigation, examination, dispute, or other

1 matter arising from the advertising, solicitation, or offer and sale
2 of a plan contract, or the management or provision of health care
3 services in this state or throughout the United States. The plan shall
4 agree to notify the director, immediately and in no case later than
5 one business day, if it is subject to any investigation, examination,
6 or administrative or legal action relating to the plan or the
7 operations of the plan initiated by the government of Mexico or the
8 government of any state of Mexico against the plan or any officer,
9 director, security holder, or contractor owning 10 percent or more
10 of the securities of the plan. The plan shall agree that in the event
11 of conflict of laws in any action arising out of the license, the laws
12 of California and the United States shall apply.

13 (10) The plan agrees that disputes arising from the group
14 contracts involving group contractholders and providers of health
15 care services in the United States shall be subject to the jurisdiction
16 of the courts of this state and the United States.

17 (b) The plan shall pay the application processing fee and other
18 fees and assessments set forth in Section 1356. The director, by
19 order, may designate provisions of this chapter and rules adopted
20 thereunder that need not be applied to a health care service plan
21 licensed under the laws of Mexico when consistent with the intent
22 and purpose of this chapter, and in the public interest.

23 (c) *If the plan ceases to be licensed under the laws of Mexico,*
24 *the director shall immediately notify the plan in writing that it is*
25 *not in compliance with the provisions of this section. If this occurs,*
26 *a plan shall do all of the following:*

27 (1) *Provide the director with written proof that the plan has*
28 *been relicensed under the laws of Mexico not later than 45 days*
29 *after the date the written notice is received by the plan.*

30 (2) *If, by the 45th day, the plan is unable to provide written*
31 *confirmation of relicensure as a Mexican health care service plan,*
32 *the director shall notify the plan in writing that the plan is*
33 *prohibited from accepting any new enrollees or subscribers. The*
34 *plan shall be given an additional 180 days to be relicensed as a*
35 *Mexican health care service plan or a California health care*
36 *service plan.*

37 (3) *If, at the end of the 180-day notice period in paragraph (2),*
38 *the plan has not been relicensed under the laws of Mexico or*
39 *California, the director shall issue an order that the plan cease*
40 *operations in California.*



1 *SEC. 2. No reimbursement is required by this act pursuant to*
2 *Section 6 of Article XIII B of the California Constitution because*
3 *the only costs that may be incurred by a local agency or school*
4 *district will be incurred because this act creates a new crime or*
5 *infraction, eliminates a crime or infraction, or changes the penalty*
6 *for a crime or infraction, within the meaning of Section 17556 of*
7 *the Government Code, or changes the definition of a crime within*
8 *the meaning of Section 6 of Article XIII B of the California*
9 *Constitution.*

